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C O N F I D E N T I A L SECTION 01 OF 03 MANAGUA 001141

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STATE FOR WHA/CEN

STATE PASS MCC

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AMEMBASSY OTTAWA PASS TO AMCONSUL QUEBEC

AMEMBASSY BRASILIA PASS TO AMCONSUL RECIFE

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SUBJECT: National Assembly Passage of Bills Points to Pacto

REF: A) MANAGUA 1065; B) MANAGUA 1035; C) MANAGUA 96

CLASSIFIED BY: RobertJCallahan, Ambassador, State, Embassy Managua;  
REASON: 1.4(B), (D)

11. (C) Summary: On December 3, the National Assembly approved a fiscal reform bill, the 2010 national budget, and a non-binding resolution against Ortega's re-election efforts. The manner in which these three bills passed lead many to believe that the corrupt power-sharing agreement ("pacto") between President Daniel Ortega and former President Arnoldo Aleman continues to dominate Nicaraguan politics and governance. Every partisan bloc in the Assembly voted as expected on the economic measures (in favor or opposition), but Aleman's Constitutional Liberal Party (PLC) abstained and a few PLC deputies voted with the governing Sandinista National Liberation Front (FSLN) on the budget. This again makes the opposition parties and the general public wonder if the PLC truly is part of the opposition or an associate of the FSLN. End Summary.

PLC Helps Set the Stage

12. (C) On December 3, the National Assembly approved a fiscal reform bill, the 2010 national budget, and a non-binding resolution that annulled the Supreme Court's (CSJ) ruling that allows Ortega's re-election (ref B). The 2010 budget was based on the passage of the fiscal reform. (Note: We will report on the substance of the budget and fiscal reform septel.)

13. (C) In the weeks leading up to the votes on the budget and the fiscal reform, all opposition political parties described Ortega's proposed economic measures as bills that would worsen the country's economic situation. The Nicaraguan Democratic Bloc (BDN, a combination of right-of-center parties in the Assembly led by Eduardo Montealegre), the Sandinista Renovation Movement (MRS, left-of-center), and independent deputies all stated their opposition to the budget and fiscal reform, and demonstrated their opposition by voting against the measures on December 3. The PLC also had publicly stated their opposition to the measures prior to the vote. On November 25, National Assembly Secretary and PLC Vice President Wilfredo Navarro stated that his party would oppose the budget in the Economic Committee because it was based on an uncertain fiscal reform.

14. (C) However, on November 26 the Economic Committee reported out favorably the 2010 budget with the FSLN votes and those of the Nicaraguan Liberal Alliance (ALN). (Note: The Economic Committee is comprised of deputies from the following parties: 7 FSLN, 4 PLC,

2 ALN, and 1 independent. The PLC members are Navarro, Francisco Aguirre Sacasa, Freddy Torrez, and Oscar Moncada - all Aleman loyalists.) The committee's PLC deputies did not sign the report, but neither did they vote against it. Moreover, the PLC deputies did not issue a minority report (dictamen de minoria), a common mechanism in the Assembly and other state institutions to officially record dissent. In the case of Torrez, he openly supported the budget.

15. (C) President Ortega submitted the fiscal reform bill to the National Assembly November 30. That afternoon the Assembly's Executive Committee (EC) met and decided on the bills that would pass to a floor vote on December 3. (Note: The EC is comprised of deputies from the following parties: 2 FSLN, 2 PLC, 2 ALN, and 1 independent; the independent usually votes with the FSLN. The PLC members are Navarro and Moncada.) Contrary to opposition deputies' suggestions that the fiscal reform bill be referred to committee for review (and to slow down its passage), the EC unanimously decided that the reform bill should pass straight to a floor vote without going first to committee. The PLC argued that in exchange, they were able to place on the agenda the non-binding resolution on the CSJ ruling that permits Ortega's re-election. As one opposition deputy stated, the PLC gave the FSLN fiscal reform for something that has no effect. In the end, both the fiscal reform bill and the 2010 budget went to a floor vote unimpeded (and basically facilitated) by the PLC.

#### The Votes Point to a Pacto Deal

16. (C) The fiscal reform bill passed on December 3 with 47 votes in favor, 23 against, and 15 abstentions. The 2010 budget passed with 52 votes in favor, 20 against, and 15 abstentions. In both votes the BDN (with 17 deputies), MRS (with 2 deputies), and one independent (Salvador Talavera) all cast a negative vote. The PLC as a bloc did not vote against the fiscal reform bill nor the 2010 budget. Only three PLC deputies voted against the fiscal reform (Aguirre Sacasa, Jose Pallais and Carlos Gadea). However, no PLC deputies voted against the budget (which is based on the fiscal reform). PLC Deputies Aguirre Sacasa, Freddy Torrez, and two others voted for the budget. During the floor debate prior to the vote, opposition deputies and others introduced several amendments to the fiscal reform bill. Of these only two passed - both were sponsored jointly by Economic Committee members Walmaro Gutierrez (FSLN) and Aguirre Sacasa (PLC). For both the fiscal reform bill and the budget, the 15 abstentions were all PLC deputies. Subsequent to the votes, the PLC deputies defended their votes stating that the fiscal reform was agreed to by the private sector and that the passage of the budget was a requirement of the IMF. However, other deputies attribute the PLC abstentions to one of two factors. One explanation was that the FSLN threatened not to deliver the funds earmarked for PLC-aligned NGOs if the PLC voted against the economic measures. Another explanation was that the PLC needed to abstain to provide cover to the ALN who voted for the bills and so the ALN deputies would not feel pressured to join the votes against the measures. (Note: The ALN is suspected of being a facilitator for the PLC-FSLN arrangements, ref A). A few ALN deputies (but not all) voted on the non-binding resolution regarding the CSJ ruling, but the day after an ALN deputy highlighted to the media that the resolution was non-binding and had no effect.

#### One Ray of Light

17. (C) The votes on fiscal reform and the budget were disappointing in that the PLC was unwilling to demonstrate its true opposition and independence from the Ortega-Aleman pacto. However, the vote on the resolution on the CSJ re-election ruling provided a glimpse that the FSLN bloc in the legislature is not unbreakable. Two deputies who are part of the FSLN alliance in the Assembly removed themselves from the vote on the resolution. Deputies Miriam Arguello and Augustin Jarquin (from minor parties formally aligned with the FSLN) argued that the CSJ ruling was illegal and the sentence non-existent, therefore they did not want to lend legitimacy to the ruling by voting on the measure. This was not technically a vote in favor of the resolution, but by removing themselves from the vote the number of deputies needed to reach a simple majority (and pass the measure) was lowered. Seen from a different angle, the FSLN's ability to block this resolution was

weakened. This appears to be the first time since Ortega entered the presidency in 2007 that members from his FSLN bloc have broken with the party on a legislative vote.

#### Comment

18. (C) The PLC's position as an opposition party in the National Assembly has been increasingly less convincing throughout the year. They began the year voting in favor of an EC that gave administrative control of the legislature to the FSLN (ref C), and concluded the year facilitating partisan economic legislation. They did the latter despite signing an agreement earlier in the year with the other opposition parties stating they would not approve any legislation that worsened the country's economic woes. The FSLN/government news website El 19 characterized the December 3 legislative votes accurately in stating that the majority won, and that majority included the FSLN, ALN, and PLC. The PLC's inability in the Assembly to support its opposition rhetoric with its actions has disenchanted the political opposition as well as the general public. For this reason the widespread belief remains that the PLC is more an associate of the FSLN than a true opposition force.

CALLAHAN